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SUBJECT: SUSTAINABILITY SMORGASBORD: THE OSLO CSR CONFERENCE

REF: A) OSLO 302 B) OSLO 254 C) OSLO 29

Classified By: CDA Kevin M. Johnson, Reasons 1.4(b) and (d)

¶1. (C) Summary. On March 28 through March 30, Norway hosted "Partnerships for Sustainable Development: The Oslo Conference on Good Governance and Environmental Responsibility." Gathering public and private sector leaders, NGOs and international experts, including Nobel Laureate Muhammad Yunus and former Vice President Al Gore, the conference covered many issues under the umbrella of Corporate Social Responsibility (CSR). Topics included human rights, ethical and environmental supply chain management, migration challenges, microfinance, CO2 reduction and anti-corruption. Ambassador Whitney participated in a roundtable discussion focusing on the governmental role in CSR. Several Norwegian ministers participated in the conference, including Environment Minister Bjoernoey, Foreign Minister Stoere and International Development Minister Solheim, who was surprisingly frank in expressing an anti-business bias. Speakers from the multi-billion dollar Norwegian Pension Fund and the Fund's Ethical Council also raised ethical investing issues, discussing the Fund's recent delisting of Walmart. The conference often voiced contradictory messages, stressing the need for private/public partnerships while simultaneously viewing private sector actors with suspicion. End Summary.

People, Planet and Profit

¶2. (U) The conference consisted of several roundtable discussions and presentations. In a seminar dedicated to doing business in developing countries, speakers covered issues including the balance between private sector actors' need for reasonable profit expectations and the public sector mandate of safeguarding human rights. Creating international norms for ethical business practices were reviewed, in line with the U.N. Global Compact. Speakers also tied in the need for the private sector to recognize employee health (particularly those suffering from HIV and malaria), as a solid sustainability pillar. The Norwegian Environmental Minister emphasized the GON's goal to strengthen CO2 capture technologies, stressing the need for public and private cooperative initiatives. Other environmental issues discussed included the use of biofuels and global fuel use, focusing on Indian and Chinese consumption. Concerning anti-corruption, panelists addressed the challenges facing corporations who are confronted with bribery demands from

public officials.

¶3. (U) Nobel Laureate Yunus was featured in a roundtable discussion concerning microfinance. He stressed that governments could actively support micro-lending initiatives through development assistance, which would be administered through microlending NGOs. Yunus strongly advocated changes to current international banking legislation which would allow NGOs and private sector contributors to establish lending institutions. Broader acceptance of commercial risks by "traditional" lenders, and the opportunities for venture capital investors, were also highlighted. During the conference's closing, he remarked that "poverty is not created by poor people," but is rather "an artificial imposition on human beings."

¶4. (U) Former Vice President Gore presented his slideshow, "An Inconvenient Truth," to a capacity audience. Introduced by Foreign Minister Stoere, the audience included many dignitaries, such as the Norwegian Queen and Crown Prince. The presentation was well received.

¶5. (U) The entire conference program may be found at www.csr-oslo.org.

Minister Solheim Speaks His Mind....

¶6. (C) International Development Minister Solheim participated extensively in the conference and made several controversial statements. The Socialist Left Minister, who recently launched a major CSR initiative with U.S. Senator Richard Lugar (ref B), stressed that CSR must adhere to a fair distribution of growth, including active employer participation, and corporate entrepreneurship. Solheim's view on CSR includes transparency, environmental stewardship, preventing money laundering, and tackling financial corruption, a recipe he views as integrating environmental needs, peace and prosperity.

¶7. (C) Discussing the governmental role in encouraging CSR, Solheim referred to Iran. The Minister spoke of how he advocated Norwegian engagement in that country during the Khatami regime, stating that the West lost an opportunity to bolster a "moderate and secular" Iranian government, because many countries did not, as Norway, invest in Iran. He declared that "Iran would be a different place if the U.S. took the opportunity to invest" in that country, which would have "transformed" the Middle East.

¶8. (C) He stated that Norway could not now demand that Norwegian corporations which previously invested under the Khatami regime disinvest, implicitly referring to government-controlled Norsk Hydro's and Statoil's Iranian projects. He stated business could not be expected to make a huge investment one day, and revoke that investment on another day.

¶9. (C) Solheim spoke of East Timor, alluding to a corporate investor with questionable business practices. He stated that "even bringing in a company with a poor human rights record can help."

....And Shows His Bias

¶10. (C) While pointing out that he is suspicious of business, Solheim supported setting high standards for corporate behavior, and advocated external reviews of corporate projects. Reviewing the history of lending, he noted that in many cultures, money lenders were viewed as thieves or criminals. This is because "poor people depended on the money lenders, who destroyed their lives." His overall tone made it clear that he, like his party, is anti-capitalist.

Ambassador Whitney Participates in Roundtable

¶11. (U) The Ambassador, joined by members of several organizations, including the MFA, UN and Amnesty International, fielded questions on public/private partnerships, climate change and the UN Global Compact. The roundtable, with an estimated audience of 300 conference attendees, allowed the Ambassador to speak on private sector CSR activities which further government development goals. His discussion of the USAID Global Development Alliance, for example, highlighted the value of joining together with private sector actors.

Pension Fund issues -----

¶12. (C) The Norwegian Pension Fund's ethical investment guidelines were raised throughout the Conference. The Fund, recently discussed in reftel A, manages approximately 300 billion USD. Knut Kjaer, the CEO of Norges Bank Investment Management, noted that the Fund maintains up to a 5 percent stake in over 3,000 companies. He emphasized that the Fund must provide a financial return to its beneficiaries, while strictly following certain ethical norms. The Pension Fund has delisted several American companies, including Walmart, based upon alleged human rights violations or ethical infringements. (Comment: The Walmart blacklisting was based upon a superficial reading of source materials which, in themselves, were often questionable at best. Norway has numerous investments in companies which are clearly not transparent and make available little, if any, public information on their business practices. Thus Norway can be rewarding companies which may perpetrate egregious human rights violations, while punishing transparent enterprises which follow open corporate disclosure guidelines. End Comment).

¶13. (C) Kjaer explained that although the Fund hopes to influence board of director votes, the fact that the Fund's regulations bar holding a majority stake in one company means that the Norwegians often seek to rally other investors to raise issues at corporate annual general meetings. He and other European pension fund leaders recently met with the Securities and Exchange Commission Chairman to discuss ways the funds could gain greater influence in appointing directors to a board. Kjaer summed up his strategy as engaging companies, building alliances with fellow investors, and persuading them that following the Norwegian plan of ethical investing makes sense in increasing long-term returns. Kjaer noted that the Fund also recognizes that lobbying is crucial. (Comment: Despite this presentation, we have seen the Fund more apt to pull out of companies than use shareholder rights to promote change, but believe the GON is seriously considering an increased use of shareholder rights in the future. End Comment).

¶14. (C) Gro Nystuen, the Chair of the Ethical Council that reviews Pension Fund holdings, spoke about the need for accountability. She briefly described the various criteria which the Council reviewed when assessing whether an investment should not be recommended or divested, including the production of certain weapons (contrary to humanitarian principles) or a catch-all provision that covers the risk of contributing to serious violation of ethical norms. U.S. delisted companies include Walmart and Freeport McMoran Mining. Nystuen supported those exclusions. When fielding a question concerning the Walmart delisting, she claimed that the Council based its recommendation on "good and solid" information. (Comment: Post has engaged the GON regarding the Fund's delisting of U.S. companies, most notably Walmart, voicing our concerns that the Ethical Council's review process suffers from inadequate procedural protections for accused companies. End Comment).

Foreign Minister Stoere's Concluding Thoughts -----

¶15. (U) The Foreign Minister formally closed the conference, praising participants who engaged in a "network of values."

He stressed the need to increase public and private partnerships. When discussing whether CSR should be part of national legislation for every country, he emphasized the difficulties of applying state CSR laws extraterritorially. He cited the recent case in Norway where a U.S.-owned hotel chain, abiding by the Cuba Assets Control Regulations, denied rooms to a Cuban delegation. The event caused a stir (see ref C which outlines the fallout over Hilton's decision). He stressed that governments have the responsibility to be convening powers, supporting meetings such as the conference to foster ideas.

Comment: A Sustainable Smorgasbord?

16. (C) The conference gathered an impressive array of speakers, attempting to increase attention on important issues with global implications. The conference pooled substantial resources from various Norwegian ministries. The official conference program noted a GON challenge to attendees, asking if the world can "operate as we always have, or must humanity think and act in a radically different way?" A lofty goal, but the conference, a smorgasbord of disparate ideas, tried to force square pegs into round holes. The conference provided few specifics for going forward, while evidencing, amidst successful joint efforts, instances of Norwegian tensions between public and private sector cooperation. For example, Stoere stated in his closing that climate change problems were "all caused by rich people." This type of blanket statement did not further action and did not seem to match other more concrete calls for increased corporate and public sector partnerships.

17. (C) Stoere's negativity toward wealth was minor compared to the charged statements of Minister Solheim, which were often bellicose toward business. His less-than-subtle rhetoric seemed incongruous within the context of the conference's professed goals and within the framework of CSR itself, which values vibrant private/public partnerships. This strain of GON contradiction was amplified throughout the conference. For example, the Pension Fund's delisting of Walmart evidences a contradiction, as the government professes a need for greater cooperation with the private sector while simultaneously divesting from a business,

relying upon dubious research and questionable reasoning. On a minor scale, we note that the sustainability conference served up whale meat in one of the luncheons, yet another contradiction. While Post certainly supports efforts to raise CSR awareness and tackle pressing global challenges which degrade human dignity, the conference, beyond its inconsistent discussion of public private cooperation, also provided few answers or next steps. Despite some impressive attendees, the conference, like most buffets, left attendees wanting more.

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